DOCUMENT RESUME

ED 312 395 CE 053 465

TITLE	Older Worker Task Force: Key Policy Issues for the Future. Report of the Secretary of Labor.
INSTITUTION	Department of Labor, Washington, D.C.
PUB DATE	Jan 89
NOTE	34p.
PUB TYPE	Reports - Research/Technical (143)
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	Adults; Early Retirement; Employer Employee Relationship; Employment Patterns; Employment Practices; *Employment Projections; *Futures (of Society); Labor Force; Labor Market; *Labor Needs; *Middle Aged Adults; *Older Adults; Policy Formation; *Public Policy; Quality of Working Life; Retirement; Work Attitudes

ABSTRACT

A Labor Department task force examined issues relating to the United States' maturing labor force and outlines policy alternatives to address those issues. Major findings were summarized in three categories: (1) in tomorrow's work force, the median age of workers will be higher; older people will be healthier, live longer, and be available for work longer; but older workers may opt for earlier retirement instead of continued employment; (2) tomorrow's workplace will want and need older workers; will need to reconsider traditional methods of recruiting, training, and managing older workers; and may be expected to restructure benefit packages to address the needs and expectations of the work force, reduce job turnover, and offer incentives to mature workers to retire later; and (3) key public policies must enable older workers to remain in or return to the work force without institutional barriers limiting their choices; must ensure that employers are not prevented from effectively responding to the opportunities and challenges for recruitment and retention of workers in light of demographic trends; and should encourage workers and employers to pursue the most effective means for enhancing and upgrading the skills and capacity of the work force to ensure the best use of human resources. (KC)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED312395

Report of the
Secretary of Labor

Older Worker Task Force: Key Policy Issues for the Future

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

CE053465

January 1980

2 BEST COPY AVAILABLE

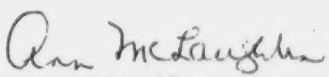
FOREWORD

When I came to the Labor Department, I had two studies on my desk, the Bureau of Labor Statistics Project 2000 and the Hudson Institute Report done with the Department of Labor called Workforce 2000. Clearly an aging population, a maturing work force, and fewer younger workers by the year 2000 were the highlights of those studies. It was within that context that I formed the Older Worker Task Force to evaluate the workforce implications of this demographic change.

These complex issues are being discussed and analyzed from the halls of the Congress, to corporate board rooms, to employee lunch rooms. We did not set out to provide the definitive answer, but rather to encourage the dialogue, explore responsibilities, and guide policy makers toward the key policy issues of the future. We recognize the important role of private sector employers in resolving the issues, and hope this document will stimulate greater activity.

The policy orientation of the Task Force serves to complement the many on-going efforts of the individual agencies within the Department of Labor on behalf of older workers. It has initiated new and expanded efforts and becomes a piece of a larger mosaic of already active Department involvement in serving this vital segment of the American workforce.

Our efforts will enhance the productivity of our economy and promote our global competitiveness, and position us to respond to the opportunities and challenges awaiting us in the 21st century.



Ann McLaughlin
Secretary
U.S. Department of Labor

EXECUTIVE SUMMARY

In June, 1988, Secretary of Labor Ann McLaughlin established a task force, consisting of executive staff from 11 Labor Department agencies and representing a wide range of responsibility for and interest in programs and policies affecting older workers. The goal of the task force was to examine issues relating to America's maturing labor force and outline policy alternatives to address these issues.

As with similar recent efforts by the Department of Labor to explore work force issues (e.g., child care, basic education and the quality of our nation's labor force) the Older Worker Task Force took account of projections for rapid and dramatic change anticipated for the American work force between now and the turn of the 21st Century. It focused on how these changes will impact upon today's mature, experienced workers, most of whom will be making decisions about retirement in the next two to three decades, as well as employers and public policy makers.

The findings and recommendations of the Task Force will serve to guide the work of the Department of Labor through the next decade. This report will contain a summary of the areas explored by the group as well as the conclusions reached during these discussions, specific action items for the Department, and a blueprint for the future to guide policy development on into the 1990's and beyond.

Organization of the Summary Report

Section One, "Tomorrow's Workforce," outlines major demographic changes in the work force, beginning now and expected to continue into the early decades of the next century. It highlights the growing need for older workers in a tightening U.S. labor market and the growing availability of older people capable of productive work. It also points out trends toward earlier retirement among Americans that may run counter to employers' plans to increase job opportunities for older workers.

Section Two, "Tomorrow's Workplace," addresses issues of the private sector about the supply of mature and experienced workers, giving examples of how employers have dealt positively with these issues. Besides concerns related to retirement such as pensions and benefits, this section examines several matters affecting the entire workforce that

have special implications for older workers: human resource policies, organization of the work place, training and retraining, and job design.

In Section Three, "Key Public Policy Conclusions and Issues," the report offers conclusions and provides objectives for public policy affecting older workers. Governmental programs, actions and decision-making, that impact upon the supply of older workers, should be guided by these objectives. This includes programs such as Social Security, Unemployment Insurance, Medicare and Medicaid, as well as laws regulating pensions and job training programs. These conclusions can serve when reviewing past policy and as well as directing future policy development.

Major Findings

In Tomorrow's Workforce...

- *the median age of the workforce will be higher...*
- *older people will be healthier, live longer and be available for work longer...*
- *but older workers may opt for earlier retirement instead of continued employment.*

Tomorrow's Workplace...

- *will want and need more older workers...*
- *will need to reconsider traditional methods of recruiting, training/retraining and managing older workers...*
- *may be expected to restructure benefit packages to address the needs and expectations of the workforce, reduce job turnover, and offer incentives to mature, experienced workers to retire later.*

Key Public Policy Conclusions and Issues...

- *must enable older workers to remain in or return to the workforce without institutional barriers limiting their choices...*

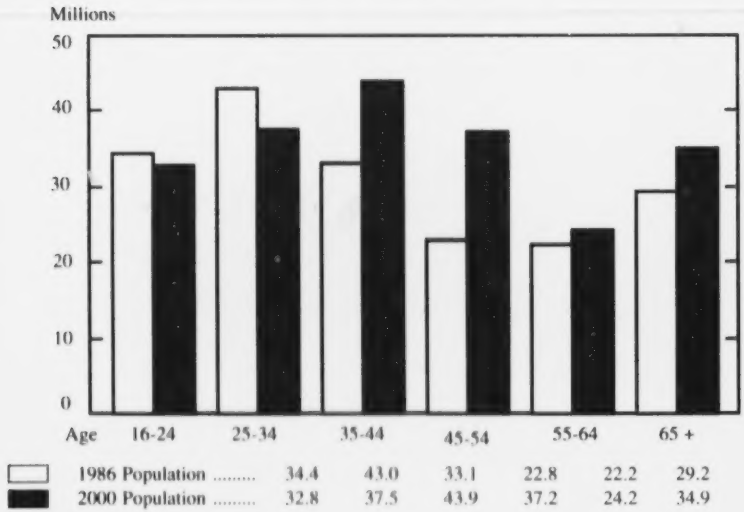
- *must ensure that employers are not prevented from effectively responding to the opportunities and challenges for recruitment and retention of workers in light of demographic trends...*
- *should encourage workers and employers to pursue the most effective means for enhancing and upgrading the skills and capacity of the workforce to ensure the best utilization of our nation's human resources.*

Tomorrow's Workforce

Introduction

A pivotal social event is occurring in this nation: the baby boom is maturing. This is an event of not inconsiderable consequences. Of particular interest to the Department of Labor is the fact that the population from which the workforce must be drawn will include fewer young

Projection for the Year 2000
Individuals by Age (in millions)



Source: Bureau of Labor Statistics

Figure 1. The number of older individuals will increase during the next decade, while the pool of potential younger workers will actually decrease.

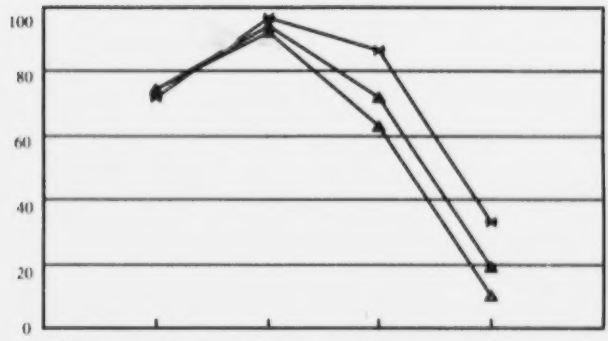
people and considerably more older people. The specter of labor shortages arising from an anticipated drop in the number of new laborforce entrants, combined with the impending retirement of the baby boom generation only serves to heighten the interest. Because of its relentless approach, thoughtful attention should be given to the future as de-

scribed by the demographic projections discussed in this paper and their potential impact on the nature of work and retirement. Projected changes in the workforce and the economy will impact on the needs of society, the opportunities for employers, and the decisions of workers. Public and private institutions must be able to respond to the challenges offered by these projections.

Perspective

Over the next three decades, American workers will witness rapid and remarkable changes in the industrial and occupational structure of their workplace. Our workforce, indeed, the very nature of work itself, will undergo significant transformations . . . primarily the result of significant demographic and technological change.

Labor Force Poarticipation by Age
Projections for Men to the Year 2000



Source: Bureau of Labor Statistics

Figure 2. Participation rates for older males have been falling, and are expected to continue to fall

Yet, such changes are not without precedent. During the 1960's and 70's, the American economy met the challenge of absorbing the baby boom generation into the workforce. It is the challenge posed by the

maturing of the "boomers" within the workforce, and their subsequent retirement during the first part of the 21st century, to which we must now turn our attention.

The trend towards earlier retirement, for example, has raised questions about the impact of current public and private policies on the match between the workforce and the workplace (see Figure 2).

As the Federal agency responsible for many issues regarding the welfare of the American worker, the quality of the American workforce, and the productivity of the American worker, the Department of Labor must ensure that public policies not only allow for but encourage free and full consideration of all opportunities and alternatives by workers and employers alike.

A brief summary of some of the demographic trends and projections serves to highlight the importance of work and retirement policies:

- By the end of the century, the median age of the labor force will increase from about 36 to 39.
- Between now and the year 2000, the number of workers over age 55 will slowly increase, while the number between the ages of 16 and 24 will be almost 1 million less than in 1986.
- During the early years of the 21st century, the number of older workers will increase dramatically.
- The average age of retirement has now declined to 61. Nevertheless, at age 61 more than half of men are still working.

Older workers are important to the success of American industry, not only as a resource for production, but also for the maturity and experience they bring to the workplace. To the extent that workers retire at younger ages, those qualities of the American workforce are diminished. At the same time, those who retire sever themselves from important sources of financial security, personal identity, a sense of achievement and a locus of social interaction. Therefore, retirement that is a "premature" departure from the labor force, especially if it is a result of inappropriate public policies or a lack of knowledge, becomes a real cost to the individual worker, the employer and the nation.

Moreover, staying in the workforce is not a discretionary choice for some older people with limited earnings histories and few alternative sources of income. For them, continued employment may be driven by economic need irrespective of leisure preferences. Key workforce issues for these individuals continue to be health, unemployment, and earnings potential.

Historical Background

Many labor force policies and institutions were created during the first half of this century when the nature of society was shifting from predominately rural, self-employed agriculture to extensive urban manufacturing. Human resource management tended to be guided by tradition. Jobs were designed around the technology of production. Work was expected to be physically demanding, and tasks were structured and compartmentalized, severely limiting flexibility and choice.

Workforce policies also responded to the pressure from a seemingly endless supply of young workers, and a growing interest in the concept of post-career leisure as the average life expectancy for a man rose from just over 43 years at the beginning of the century to almost 66 years by 1950. It was within this environment that early retirement became a symbol of social progress and prosperity, especially when it offered a release with dignity from many years of difficult working conditions or when the worker's health was failing.

More recently, society has been experiencing another shift, this time to a service-producing economy. Service industries have tended to be less structured and compartmentalized than manufacturing industries, and employers have had greater opportunity to offer part-time or part-year work as an alternative to retirement. Less physically demanding tasks, because of the introduction of advanced technologies into the workplace, can allow women and men more flexibility to choose to postpone retirement.

Workers of differing ages may place differing emphases on personal workforce objectives. For example, workers under the age of 50 may focus more on meeting current financial needs, making career advancement and reemployment after displacement major issues. Workers between the ages of 50 and 62 may be more likely to focus on preparation for retirement security, making the elimination of discriminatory policies that could jeopardize that security and the avoidance of risky career changes more important issues. For those workers over 62, if

economic security is assured, the focus may be more on flexibility and choice that lead to personal satisfaction (see Table I).

Certain groups of workers, such as women and minorities, may experience special difficulties in the labor market that greatly reduce their options. While these difficulties may increase with age due to concerns over personal health, growing eldercare responsibilities, and the increasing gap between job seekers with limited or outdated skills and the needs of employers in a dynamic economy, these difficulties generally can be traced to deficiencies in education and labor force experience, or discrimination, not to age per se.

Table I. The relative importance of workforce issues may change with age.

Percent of Workers 40 and Over Rating an Item A "Major" Reason for Working

	Order of Popularity	Age		
		40–49 (%)	50–62 (%)	63+ (%)
1.	Enjoy job/working	75	80	87
2.	Need the money	84	76	61
3.	Makes me feel useful	71	80	77
4.	Be productive/help others	64	72	73
5.	Work is an obligation	57	66	62
6.	Maintain health insurance	57	64	62
7.	Fulfill pension requirements	43	59	41
8.	Need to support family	58	44	22
9.	Fulfill Social Security requirements	38	55	38
10.	Need to pay health costs	44	41	32

Source: American Association of Retired Persons / Gallup Organization

The relatively lower earnings for blacks and women both predicts and explains the lack of options available for these groups as they age (see Table II). Lower wage jobs are less likely to offer pensions, and when they do, the lower wages translate into lower pension benefits. Social Security benefits are likewise related to wage history. Thus, for

those who had lower wages prior to retirement, economic necessity may require post-retirement employment.

External forces, such as employer decisions and public policy, are not the only factors that influence the workforce, however. The way workers perceive the workplace also shapes their actions and decisions, regardless of specific policies or requirements. Workers who have been employed for a significant period of time may see themselves tied to their jobs because they have an investment in specific training which may not be transferrable to a new job. Or, they may have accrued considerable retirement benefits that would be at risk if they leave (sometimes referred to as "golden handcuffs"). Certainly, change to a new job carries with it a risk of failure and loss of earnings and/or self-esteem. On the other hand, competitive pressures from younger workers anxious to advance or the general tedium resulting from reaching a career plateau may provide the motivation for a change. Many see early retirement as the only appropriate alternative.

Table II. Although the earnings gap may be closing, average annual earnings for blacks' and women continue to lag behind white men.

Median Annual Earnings for all Workers and Those Who Worked Full Time Year Round by Sex, Race, and Selected Ages, 1987

	White	Black
MEN (All Workers)		
16 and Over	$21,071	$13,363
55 to 64	25,875	17,197
65+	7,499	5,308
WOMEN (All Workers)		
16 and Over	11,090	10,588
55 to 64	11,676	9,937
65+	5,544	3,337
MEN (Full-time, Year-round workers)		
16 and Over	26,268	19,118
55 to 64	28,595	20,304
65+	25,904	15,925
WOMEN (Full-time, Year-round workers)		
16 and Over	17,184	15,952
55 to 64	17,024	14,485
65+	15,510	9,582

Source: Bureau of Labor Statistics

The workers themselves may take a proactive role and take advantage of the opportunities offered by an aging population and expanding technology. Worker organizations can educate members about the changes taking place in the economy, and explore new approaches to work and retirement. Collective bargaining agreements can be restructured to reduce or eliminate disincentives for work beyond a certain age or an arbitrary number of years. Individuals can seek out new training opportunities and continuing education that will enable them to adjust to new circumstances on the job, and prepare for and make more informed decisions regarding their career and retirement.

Summary

In this new environment, where men have a life expectancy of 72 years and women of 78 years, and where the financial opportunity to choose leisure over work may be within the grasp of younger and younger pensioners, no single homogeneous group can be tagged "older workers." It is a relative term that must rely on parameters within the discussion for its meaning, so that it may variously refer to workers who are 47 years old or 74 years old, including:

- *Workers seeking additional training so that they can remain productive in a time of changing skill requirements.*
- *Workers seeking retirement security in the form of pension benefits as they prepare for the transition from work to leisure at the end of their careers.*
- *Workers seeking flexible alternatives to the existing job structure so that they may continue employment beyond normal retirement age.*

In general, except for stereotypes regarding aging, the issues confronting older workers are not unique to any single group. For example, the basic concepts of work include training, reward systems and economic security, task design and job responsibility, employee benefit structures and retirement. These describe the world of work in general, without regard to the age of the worker.

Tomorrow's Workplace

Introduction

The labor market is changing and has been changing throughout our history, and we can expect continued changes as we approach the 21st century. A shortage of skilled workers may occur as the number of jobs requiring higher levels of skill and education increases and the number of young entrants into the labor force decreases. Employers will need to plan for these changes in order to maintain their workforce and stay competitive in the changing labor market.

Employers are no more a homogenous group than workers. Their needs vary, depending on size of the firm, type of industry, and location. However, the anticipated tighter labor markets and skill shortages resulting from both the diminishing pool of young entry-level workers and the continuing trend toward early retirement, may force employers to rethink their current employment practices.

As we move into the workplace of tomorrow, we need a better match between the workforce and the workplace. To accomplish this, employers must reconsider traditional methods of recruiting, training/retraining, and managing of older workers. Far more attention needs to be given to the design of jobs and working conditions that are deliberately tailored to the distinctive capabilities, limitations, needs and preferences of older workers now employed and others who, under the right circumstances, might choose to become reemployed.

Most of the issues and problems affecting the entire workforce affect older workers as well, but perhaps more, such as

- automation/new technology
- changing working conditions
- changing products and jobs
- employee benefits

The seeds of the solution lie in these problems or challenges as well. Automation permits flexibility previously unimaginable. It is now possible to design technologies and working conditions that are expressly tailored to the needs of older employees. Flexible scheduling, job redesign, job sharing, and job reassignment are options that can be considered by employers and workers to meet a variety of needs for workers in general.

Employers need to be cognizant of a wide range of personnel and human resources management policies that affect older worker partici-

pation in the labor force. These include the changing definitions of both "retirement" and "leisure", job design, collective bargaining agreements, retirement planning and age neutral policies. As employers plan for the future, they will decide how best to meet their own needs as well as the needs of their employees. Policies that benefit older workers will benefit the entire workforce.

Tools to address the changing needs and expectations of older workers who wish to prolong their attachment to the labor force can assist employers in achieving goals of productivity, efficiency and cost savings and, enhance employment opportunities by addressing the changing expectations of older workers who wish to prolong their stay in the workforce.

- Positive personnel techniques are a valuable tool in enabling employers to develop necessary employment options to attract, retain, and effectively manage older workers regardless of sex, race or age. This strategy should simultaneously address attracting older workers and retaining those already in the workforce. These policies may serve to help derive new ways of utilizing human resources.

- Jobs and work environments can be redesigned according to ergonomic criteria which take into account the physical capabilities and limitations of individual workers. Also, job design and flexibility in scheduling such as flexitime, part-time, phased retirement, temporary employment are options that may enable older workers to continue working should they wish to do so. Older workers could be given opportunities to scale down their level of work involvement through job-sharing, part-time jobs and other kinds of reduced work schedules that allow them more freedom and flexibility and thus, may impact on their decision to leave the labor force.

- Employers should consider rehabilitation of older disabled workers who experience job-related injuries or illnesses in a similar manner as rehabilitation of all workers. Also, innovative injury prevention may be valuable in preventing certain types of injuries which are more likely to occur as workers grow older.

- Continuous education and training of workers throughout their working life to impart new knowledge, develop new skills and create new job opportunities will have beneficial results for both workers and employers.

- In order to keep and attract older workers in the workforce, employers may begin restructuring their pension incentives as well as jobs. Some employers are already beginning to review the relative incentives to work or to retire because changing these incentives will take time, with business and labor management cooperation.

- Employee benefit issues are major concerns that impact older workers. Employer policies are important, particularly in the area of eldercare, defined benefit plans and long-term care.

The workplace of the future will be a different place from that of today and employers need to recognize this and begin planning now. Below is a discussion of these personnel and human resource management policies that will affect the role older workers play in the future workforce.

Positive Personnel Policies

New human resource management policies can be a valuable tool in enabling employers to develop necessary employment options to attract, retain, and effectively manage older workers. Clearly some employers already realize that they must increase the utilization of older workers to ensure that they have the human resources needed to viably compete in an increasingly dynamic and internationally impacted economy.

For example, the Travelers Corporation abandoned its mandatory retirement policy before being legally required to do so and it amended its pension plan so that older workers who wished to "retreat" but not retire could continue to work a substantial part of the year without loss of pension and health benefits. The decline in the number of young labor market entrants and the abundant

supply of older workers may cause other employers, who experience labor shortages, to offer similar options.

These new personnel management policies should simultaneously address attracting older workers and retaining those already in the workforce. It can re-orient the thinking of workers and employers away from retirement as the automatic response to aging, and create new ways of utilizing human resources. To be effective, these techniques should address the barriers which tend to discourage labor force participation by older workers. These barriers include mindsets regarding retirement, e.g.,"30 and out"; certain pension policies, job search discouragement, marginal skills, and low levels of formal education.

The barriers are formidable but not insurmountable. Development and implementation of new human resource management policies can be instrumental in reducing their impact. Such strategies might include:

- Creative and targeted recruitment efforts designed specifically for older workers.
- Flexible work options, including part-time employment or reduced workloads, job sharing, flex-time, sabbaticals, and volunteer time. A 1986 Gallup Poll, commissioned by AARP, indicated that more than 40 percent of workers regarded such measures as major considerations in choosing whether to continue working or retire.
- Positive work environments which offer opportunities for upward mobility. The 1986 Gallup Poll disclosed that 44 percent of the workers surveyed between the ages of 50 and 62 wish to receive training to update their skills.
- Supervisory training for managers to overcome negative stereotypes about aging and employment.
- Pre-retirement planning programs that focus on options for continuing to work rather than primarily on early retirement.
- Development of work assignments to fit needs of older workers. Job redesign could reduce the highly stressful or physically demanding elements of identified jobs. These factors now contribute to both the employers' and older workers' perceptions that retirement is the optimum choice.

- Training and retraining opportunities that allow older workers to compete equally with younger workers. As noted earlier, 44 percent of workers between the ages of 50 and 62 desired training to update their skills.

Work Place Organization

Until recent years, and before the microprocessor "revolution," the design of work was governed almost exclusively by the principle of "technological determinism." That is, the machines and processes of production were developed according to standard engineering criteria of efficiency and deployed consistent with the tenets of Scientific Management—a "one best way" orientation that compelled workers to adapt as best they could. This approach had, and continues to have, adverse impacts on workers—physical, psychological and social. Particularly beset by technology induced problems are older workers, insofar as they are less able to cope with the physical and other demands of their jobs. Although the aging process does not render workers incapable of satisfactory job performance beyond any fixed age, many do experience some decline in physical capability and tolerance for particularly strenuous tasks.

With the evolution of automation, however, with the innumerable applications of computer chips, it is now possible to design technologies and conditions of work that are expressly tailored to the needs of employees.

For example, the Volvo plant in Uaddevalla, Sweden, is being ergonomically designed to accommodate a workforce in which 25% will be over 45 and 40% women. This means that tools must be physically less demanding. The Swedes expect a labor shortage and already have a difficult time attracting younger people to manufacturing. The Uaddevalla plant is being designed to meet this contingency. These are arrangements that not only apply the talents of workers far more than traditional production systems but also impose far fewer demands on them—less physical exertion, less stress and less need to be controlled by machine and line speed.

In short, contemporary production processes need no longer evolve from a strict division of labor, ones that are designed by engineers, controlled by supervisors and managers and operated by rank-and-file within narrow limits and tight constraints imposed on them.

To the extent this new paradigm is adopted by American industry, it offers considerable promise for creating jobs and working conditions that are genuinely suited to the particular needs of older workers and which take a far less toll on their health and well-being.

Training/Retraining

Various studies and surveys show that both employers and older workers perceive training as a tool to increase productivity and job satisfaction of older workers. In a study conducted for the American Association of Retired Persons (AARP) by Yankelovich, Skelly, and White, Inc., it was found that employers believe that skill training for older workers would be effective in increasing their utilization, but that only 30% of companies were now attempting such programs.

Two examples of companies that are retraining for the future are:

- *Control Data Corporation: In addition to other programs for older workers, Control data offers a variety of training and retraining programs to its employees. One course is specifically designed to facilitate career changes within the company. The course is offered to professional employees 30 to 55 years old.*

- *Grumman Corporation: The New York based company also encourages career switches of its employees. The company offers career development programs in management and professional development, a Mid-Career Training program along with three special programs for female employees.*

In another study conducted for AARP by The Gallup Organization, more than 4 out of 5 workers, 40 and over desired training. (See Table I.)

Studies have also found that while older workers may take longer to learn a task and may need different training techniques, they can learn effectively. However, in many cases traditional classroom training has not proven effective. In most cases, training programs for older workers should be specifically designed for them. Recognizing that unique requirements demand unique services, added emphasis should be placed on tailoring/designing training programs and services that meet the

needs and interests of older workers. According to 66 percent of respondents of a 1988 survey jointly conducted by the American Society of Personnel Administration and the Commerce Clearing House certain types of training techniques such as self-paced learning, experiential training, on-the-job coaching, pragmatic or application oriented training and training in which older workers, themselves, participate in designing are more effective in teaching new skills to older workers.

Table I. Training preferences vary by age and income.

	Type of Training Preferred			
	To Update Current Job Skills (%)	To Get A Better But Similar/Totally Diff. Job (%)	Not Related to Job (%)	No Training (%)
Total	39	36	10	10
40–49	37	43	12	4
50–62	44	33	9	10
63+	35	19	9	31
Sex				
Male	43	32	10	11
Female	35	42	10	9
Race				
White	40	34	10	15
NonWhite	31	45	10	16
Income				
<$12,000	27	42	15	13
12-23,999	33	38	11	13
24-34,999	44	33	9	8
35,000+	44	34	10	9

Source: American Association of Retired Persons

To insure the quality of the programs and services provided to older workers, adequate resources and investments, from both the public and private sector are required. From the public side, consideration should be given to designing employment and training programs that take into account the capabilities and special needs of this population and constructively invites their interests in a regular training program.

Job Design

Workers approaching retirement have indicated that reduced hours of work, whether part time or part year, might be an attractive alternative to full retirement. Flexibility in scheduling, job redesign, job sharing, and job reassignment are options that can be considered by employers and workers to meet a variety of needs, not only of older workers but workers in general. The proportion of part-time work increases after age 65 and has risen considerably in recent years. (See Table II.)

Table II. Part-time work is an option preferred by many over 65.

Persons Age 45 and Over At Work in Nonagricultural Industries by Sex and Full or Part-Time Status, Selected Years, 1960–1987

	Males		Females	
	45–64	65+	45–64	65+
1960				
Full time	94	70	78	56
Part time	6	30	22	44
1970				
Full time	96	62	77	50
Part time	4	38	23	50
1982				
Full time	93	52	74	40
Part time	7	48	26	60
1986				
Full time	94	53	76	40
Part time	6	47	24	60

Source: Bureau of Labor Statistics

Consideration should be given to allowing older workers opportunities to scale down their level of involvement through job sharing, part-time jobs and other kinds of reduced work schedules that allow them to experience a gradual rather than an abrupt transition from full-time work to retirement by progressively substituting leisure time for work time.

Health is also a factor influencing hours and type of work. Older people view their health positively but disability does increase with age. According to the National Center of Health Statistics, 69% of the elderly describe their health as excellent, 15% of people 65–69 report

some difficulties and 49% of those over 85 do. However, the average number of workdays lost due to all acute conditions (flu, injuries, colds, etc.) for persons 18–44 was 3.3 days per year, while for persons age 45 and above, the average was 2.6 workdays per year.

Employee Benefits

With tightening labor markets and a dwindling supply of younger workers between now and the year 2000, employers can be expected to restructure their benefit packages to address the needs and expectations of the workforce, to reduce job turnover among workers under forty, and to encourage workers in their fifties and early sixties to retire later.

Policies directed at retaining workers could include increased levels of cash wages, greater employer-sponsored training opportunities, greater increases in wages with length of service, service-related cash bonuses and sabbaticals for longer-service workers, and other benefits such as leave, health care, and pension packages.

In order to address the needs of the entire workforce for flexibility and mobility, pensions could be made more "portable" through:

- dual defined benefit and defined contribution plan coverage, and
- the development of new forms of pension coverage which include some of the more desireable characteristics of both defined benefit and defined contribution plans.

Employers' policies to retain workers over age 50 may also include higher cash wages. However, substantial changes in retirement program incentives are even more likely. To retain workers who might otherwise retire, employers with defined benefit plans could replace the powerful early retirement incentives currently in those plans with equally attractive pension subsidies for workers who delay retirement until later ages. Employers with defined contribution plans could provide bonuses to workers who retire at later ages. All employers could make continued employment at later ages attractive by offering workers who become eligible for retirement certain other benefits for continued work such as increased annual leave, the opportunity to reduce

weekly hours worked or some combination of reduced weekly hours and increased annual leave.

Health benefits, long-term care and eldercare are workforce issues that impact older workers, as well as the workforce in general. Women are particularly affected by eldercare responsibilities. Nearly three-fourths of all care givers for the frail elderly are women. As the population ages and the numbers of women in the workforce increases, employers will need to find ways to assist their employees in carrying out eldercare responsibilities—as they are with current child care concerns.

Since health benefit packages are a major factor affecting employee recruitment and retention, the extent of the benefits and the rising costs of such benefits are issues that will require both public and private attention in the coming years.

Some employers have begun to change traditional employment policies to meet the needs of older workers. For example:

Varian Associates, a Silicon Valley electronics company, established a Retirement Transition Program, enabling its employees to prepare for retirement by gradually reducing their workweeks three years in advance of their retirement date.

Polaroid, based in Massachusetts, has several options for prospective retirees which are explained in pre-retirement planning and counseling sessions. Individuals may gradually reduce work hours by hours per day, days per week, or weeks per month. Salaries and pension credits are prorated and medical benefits are paid in full. Polaroid also has a trial program in which employees may take up to six months unpaid leave of absence. Employees may pay their own premiums and continue group insurance coverage.

Kollmorgen Corporation offers employees at the Electro-Optical division in Massachusetts reduced hours through a rehearsal retirement program. One year prior to retirement, employees may reduce their hours to do volunteer community service. The year is divided into thirds: 4 days at the company, 1 day volunteer in the first period; 3 days at the company, 2 days volunteer in the second period; 2 days at the company, 3 days volunteer in the third period. The volunteer work must be non-profit, nonpolitical, nonreligious and be approved by the Industrial Relations Office. Eligible employees, full-time, aged 62 with 10 years service, receive full pay and benefits.

Teledyne Wisconsin Motor, a heavy-duty engine manufacturer, faced a shortage of skilled workers and the possibility of a squeeze on their pension fund. To induce employees to remain with the firm they developed the "Golden Bridge" policy. The program provides graduated increases in vacation time, insurance, pension benefits and surviving spouse benefits based on age and years of service for each year the worker participates.

Summary

As we embark on an era of tighter labor markets and skill shortages, the issue facing the Nation is how to effectively institute measures to improve the work place environment for all workers. This will, of course, benefit older workers, but it also should substantially further the interests of the entire labor force and American industry as well.

Tools to assist employers are available to help employers improve productivity and efficiency and to enhance employment options for older workers. The challenge for employers is to tailor these tools to their own workplace settings.

Introduction

The development of public policy is an on-going process, subject to continuous review and debate and shifts in focus as new issues arise (e.g., child care and eldercare) and opportunities occur to revisit old issues. This report does not intend to authoritatively decide matters of complex public policy—matters that will require the considerable skills of many segments of government and society. Rather we set out to encourage the dialogue, to explore responsibilities, and to guide policy makers.

We have used the demographic data base as a springboard in our analysis of the workforce issues affecting older workers; and we have adopted **three conclusions** which are consistent with our responsibility for workforce issues.

- *First, public policy must enable older workers to remain in or return to the workforce without institutional barriers limiting their choices.*
- *Second, public policy must ensure that employers are not prevented from effectively responding to the opportunities and challenges for recruitment and retention of workers in light of demographic trends.*
- *Third, public policy should encourage workers and employers to pursue the most effective means for enhancing and upgrading the skills and capacity of the workforce to ensure the best utilization of our nation's human resources.*

The Task Force examination of the issues has led to a delineation of **objectives** that can serve to guide future policy development activity as it relates to the workforce attachment decisions of older workers:

- **to promote age-neutral public policy,** in order to ensure:
  - — the welfare of the American worker
  - — the quality of the American workforce
  - — the productivity of the American worker without discrimination based on age;

- **to articulate the opportunities and challenges of changing demographics, technology, and markets** so that workers can knowledgeably choose among alternatives available, and employers can effectively manage their workforce needs;

- **to encourage employers and workers to remove impediments and disincentives** to continued employment based on age or number of years worked that may have been included in personnel policies or collective bargaining agreements;

- **to encourage engineers, managers, labor leaders and others to investigate new technologies and management practices** that may provide greater flexibility for workers scheduling and task design without compromising productivity;

- **to support research into the most effective training techniques** designed to enhance and utilize the talents and skills of older workers, and assist in the deployment of this information;

- **to design and administer employment and training programs** that take into account the capabilities and special needs of older workers;

- **to identify and disseminate new action strategies** that will enable employers to attract, retain and effectively manage older workers; and

- **to promote employee benefit plans** that will not only serve to increase the welfare and security of the workers but also provide a means for employers to reduce turnover and encourage continued employment of productive workers without regard to age.

There are a wide range of public policies that affect the decisions older workers make regarding labor force attachment, as well as the decisions of employers to offer the kinds of job opportunities older workers are seeking. The changing demographics and tighter labor markets force the Federal government to examine these public policies to see which enhance and which do not enhance older workers' voluntary participation in the labor force.

These public policies include—but are not limited to:

- **Social Security**
- **Employee Retirement Income Security Act (ERISA)**
- **Unemployment Insurance (UI)**
- **Training Programs**
- **Health Benefits—Medicare/Medicaid**

Social Security

During its history, the Social Security program has included a variety of institutional incentives that affected retirement behavior. However, because of changes made in the 1977 and 1983 Social Security amendments, and because more workers retire earlier from the labor force, Social Security no longer affects retirement behavior the same way it did in the past. Many of the incentive/disincentive effects that remain will be phased out over time.

The major decisions and impacts affecting labor force attachment decisions follow:

- Prior to 1977, Social Security's benefit formula provided a strong incentive to work to age 65 and then retire. Benefits were based on the workers' unindexed earnings over a short averaging period (years after 1950). As a result an additional year of work between age 62 and 65 replaced an early year's income, very small in nominal terms, with a recent relatively high year's income. Because of the earnings test, and the absence of a fair delayed retirement credit for work after age 65, few people worked past 65.

- The earnings test at that time clearly affected retirement behavior. Since that time, workers have begun to retire earlier and earlier (age 65 is no longer a particularly important retirement age). In addition, after a substantial phase-in period the 1983 amendments will make benefit payments actuarially fair for work after age 65. This will essentially eliminate one of Social Security's economic incentives to stop or reduce work after age 65.

- Wealth transfers through the Social Security program have also encouraged early retirement. Individuals retiring early on in the program received very high real returns on their contributions. This enabled workers to retire earlier than planned and has contributed to the declining labor force participation among older workers. However, these "wealth effects" should not distort the retirement decisions of baby boom retirees because real returns on their contributions will average about 2 percent—similar to normal market returns. These wealth effects were largely eliminated in the 1983 amendments which reduced benefits paid to future retirees through the raising of normal retirement age from 65 to 67.

The 1977 and 1983 amendments substantially reduce the work/retirement distortions attributable to Social Security. Still, until the delayed retirement credit is fully phased-in, there is an economic disincentive to work past 65 and the earnings test can represent a significant tax on work. The earnings test hurts those who must rely on earned income to supplement retirement income but does not affect those who have substantial income from savings. It is estimated that the labor force attachment decisions of between 350,000 and 2,000,000 individuals are affected by the earnings test.

This problem could be ameliorated through:

- **elimination of the earnings test,**
- **raising the income threshold to which the test is applied, or**
- **speeding up the full phase-in of the delayed retirement credit.**

Although the earnings test does affect some retirement decisions currently, it could be expensive to eliminate its effects. Policy makers should give these options serious thought—balancing the cost of changing Social Security with the costs to the economy of some reduced labor participation.

Finally, if the growing social security surplus is "saved", rather than spent financing current government spending, then generational transfers should not be a problem when the baby boom retires. Such a fiscal policy would contribute to greater national savings and a greater capital base from which to finance the baby boom's retirement.

Pension Coverage

Strong incentives to work or retire are much more important features of some private pensions than in social security. Defined benefit plans maintain very strong incentives to work to a certain age and retire at a certain age. Defined contribution plans are neutral with respect to retirement incentives. The defined benefit plan has strong incentives to stay until eligibility for early retirement and leave at normal retirement age. This is because the value of the pension accrues most rapidly near retirement and is not actuarially adjusted for work after the normal retirement age.

Employers utilize these incentives to increase productivity by rewarding longer tenure and reducing turnover. These plans are also used to manage the size and composition of the workforce by encouraging retirement at certain ages (early retirement incentives can be essential for an industry seeking to restructure or downsize its workforce).

Although the current incentives in defined benefit plans very clearly penalize those who work past the normal retirement age, three points should be made. First, Federal law does not prohibit an employer from actuarially increasing the benefits paid for work after the normal retirement age or from changing early retirement incentives. Second, as demographic changes make older workers more valuable the incentive structure specific to defined benefit plans may offer employers a unique mechanism to counteract earlier retirement trends. Third, because private pensions are voluntary arrangements, Federal prescriptions could seriously jeopardize employers' willingness to sponsor pension plans.

Finally, the government must develop innovative policies to minimize the extent to which workers with disrupted work are penalized for circumstances that may be beyond their control. For example, large firms that are forced to downsize frequently attempt to minimize lay offs and protect workers who may have the most difficult time finding new jobs. Lay offs are restricted to younger workers and workers nearing retirement are encouraged to retire earlier through special shutdown benefits and attractive additional benefits offered through early retirement windows.

Over the past eight years many new protections of pension rights have been added to ERISA. The Federal government should continue

to strengthen these rights with particular sensitivity to those workers who must change jobs because of adjustments in the economy. At the same time, Federal regulations must be cautious not to eliminate an employer's ability to use pensions and other elements of compensation to adjust their labor forces in ways that impose the least burden on the workers who could be most adversely affected by such adjustments.

Unemployment Insurance

The role of Federal law in the Unemployment Insurance System is limited; State law primarily governs eligibility, benefit levels, and the payroll taxes to support those levels. The Federal/State UI system has a two-tier system of employer taxes. One tier is a Federal tax. The Federal Unemployment Tax Act (FUTA) levies a tax of 6.2% on the first $7,000 of wages an employer pays with respect to employment. A credit of up to 5.4% is available against that tax for employers in States with unemployment insurance laws certified by the Secretary of Labor as meeting all of the Federal law's requirements. All State laws are currently so certified. This credit feature leaves a residual Federal tax of 0.8%. The proceeds from this Federal tax are earmarked to pay for Federal and State administrative costs of the employment security system.

The second tier is a State tax. States levy an unemployment tax on employers to finance the payment of benefits. The wage base set by the States need not be the same as the Federal base, although, because of the structure of the system, there is a direct link between the Federal and State wage bases. In fact a majority of the States currently have a wage base higher than $7,000 (the highest is just over $21,000) and the median is currently $8,000. States establish the tax rates to be paid by the employers to reflect the employers' experience with unemployment and to replenish and maintain the State's account in the Unemployment Trust Fund.

By contrast, the wage base for purposes of collection of the Social Security tax, indexed to reflect the average annual wage in the U.S., is $45,000 and is expected to rise to about $49,000 in the next two years.

Analysis of the relationships between the parameters of the tax structure and various labor turnover categories suggests several questions: Does the tax cost associated with labor turnover give employers an inducement to reduce labor turnover in order to reduce taxes? Does this make part-time workers more expensive to hire? Is the cost significant enough to adversely affect employer decisions involving older workers?

Or is the marginal tax rate so low that even if all the theoretical analyses were correct, typical employers do not react to the tax incentives because the potential tax savings are so small?

Another UI issue deals with the FUTA requirement that States, as a condition of conformity with the Federal law, include in their unemployment insurance laws a provision that will reduce a claimant's weekly benefit amount by the amount of any pension, retirement pay, annuity or other payment the claimant is receiving based on the previous work of that individual. FUTA permits the States to limit the application of the required offset depending on two elements: whether the claimant contributed to the pension, and whether the employer whose account will be charged for benefits paid to the claimant was also a contributor to the pension the claimant is receiving.

This provision has been in effect since 1980. Prior to 1976, there was no pension offset provision in Federal law. The States were free to enact such provision and 31 States had done so prior to enactment of the Federal law provision.

Retirees have complained about losing this dual source of benefits. However, adjusting the pension offset may introduce a new disincentive effect for the employer. UI can be collected for only 26 weeks in most States and the employer, as the financier of the UI system, may be reluctant to hire a part-time worker who is already collecting a pension benefit financed partially or wholly by him. Would removal of the Federal requirement remove the present "incentive" to employ pensioned retirees, since it would increase UI charges to the employer in the event of a layoff?

Training Programs

Training is a key element in the success of most older workers participation in the workforce, whether it be job-related while employed or specialized assistance to those with serious problems such as poverty, illiteracy, unemployment, and dislocation. The Department of Labor's primary focus should be twofold: (1) improving employment and training programs which provide services that directly impact the employability of all older workers and particularly those with employment related problems, and (2) investing in research to encourage and provide

guidance to employers on "what works" and "how to" vis-a-vis training older workers.

Of particular importance is the quality of JTPA training programs and apprenticeship efforts. The Department of Labor, through the Employment and Training Administration (ETA), currently funds programs that provide training and other related services to older workers. These training programs have primarily focused on extending the basic services provided to all workers to older workers. Recognizing, however, that unique requirements demand unique services, ETA can begin to place an added emphasis on tailoring or designing training programs and services that meet the needs and interests of older workers.

To ensure the quality of the programs and services provided to older participants, adequate resources and investments are required. Consideration will need to be given to designing employment and training programs that take into account the capabilities and special needs of this population and constructively invites their interests in a regular training program.

Special emphasis can be placed on the problems of older dislocated workers in the implementation of Economic Dislocation and Worker Adjustment Assistance Act (EDWAA). Also, a new look needs to be taken regarding constructive linkages between the Senior Community Service Employment Program (SCSEP) and JTPA to ensure maximum utilization of both programs.

Within the Bureau of Apprenticeship and Training, the Apprenticeship 2000 initiative will begin to address the issue of age discrimination, retraining of older workers, career paths through apprenticeship, and journeyman upgrading.

Health Care—Health Benefits

Access to health care and the continued affordability of such care currently presents public policy challenges and will continue to be a matter of public policy concern for some time into the future. There are as many as 37 million Americans (almost all under age 65) with no health insurance coverage from any public or private source. Employers are facing record health insurance increases of 15% or more annually to provide continued coverage to their active workforces. An estimated 16% of current retirees are covered by the health insurance plans of their former employers and the number of retirees, especially early retirees, receiving such coverage continues to grow.

Medicare costs, especially physicians' fees and costs for out-patient care, continue to rise rapidly. Financing the long-term care needs of the dramatically growing population of frail elderly as well as the younger old population continues to be a serious problem, and the potential costs of insuring such care continue to stifle both public and private initiatives to respond to this need.

Escalating health care costs cause concern for all groups in society and raise fundamental issues regarding the country's health insurance system, as well as the health care delivery system. Even if the problems of access to health care could be solved for the younger population and employers gain control over the escalating costs of insuring their active workers and dependents, public concern for providing adequate health care for all Americans is likely to continue to heighten.

Health care needs rise after age 55 and even more dramatically after age 65. The combination of increased numbers of older Americans and the continued trend toward early retirement in the short run will continue to exert pressure on employers' health insurance costs. Employer-sponsored retiree health insurance is a strong early retirement incentive and the unfunded retiree health insurance represents a huge potential liability for employers and younger workers. Because benefits are paid out of premiums, older individuals who are more likely to receive those benefits are subsidized by younger workers. This intergenerational transfer may not be sustainable as the older population continues to grow.

Many companies are faced with paying the premiums for health plans where half or more of the participants are retirees who no longer contribute to the company's output. Should Federal policy require that all employer-sponsored retiree health insurance programs be pre-funded? A pre-funded health benefits plan carries with it all of the management issues of any trust fund, including phase-in, vesting, portability, and Federal regulation with its implied guarantees.

Workers over the age of 65 must continue to be covered by the employer's health programs, even though non-workers or those not covered by an employer's program are eligible for Medicare. While Medicare was never envisioned as the primary health care vehicle for active workers, the appearance of equity may be a factor to be considered.

Persons who can afford to retire because of private pensions, asset income or social security are eligible for Medicare if they are 65; persons who must work because they can not afford to retire are putting pressure on the private health care system.

As labor markets tighten near the turn of the century, the current situation could reverse itself. With tighter labor markets and only a small reservoir of younger workers to draw upon, employers may want to restructure their benefits to retain healthy older workers in the workforce; and the public health insurance system is likely to become increasingly the insurer of the high cost, high risk, older population. Thus, employers may retain workers well into their sixties as long as they are healthy, but promptly retire workers when they encounter serious health problems.

There are no simple solutions that will relieve the current pressures on the health care system and also assure that, as the demographics of the population shift, health care costs will continue to be equitably divided among individuals, employers, and the public. In the area of health care, as in no other area, a close public-private partnership may be critical for assuring the affordable access to health care that will be needed to guarantee a healthy productive workforce and a secure old age.

Summary

The demographic reality of huge numbers of workers facing a decision to remain in or leave the workforce warrants serious consideration. The direction that the formulation of public policy will take into the 1990's and beyond will need to be guided by this reality. Workforce issues range from the need of the national economy for the skills and experience possessed by older workers, to our obligation to ensure that work also provides for a secure retirement. It is government's responsibility to ensure that public policy does not preclude free and full consideration of all opportunities and alternatives by the workers and employers alike.